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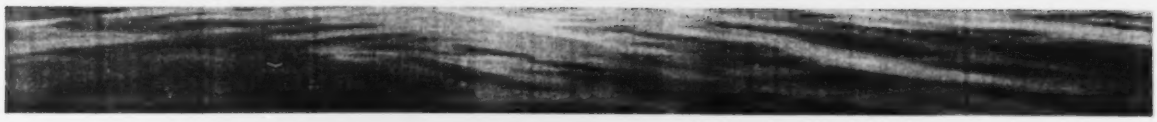

Marine Outlook

Highlights of the Marine Industry

MARCH 2010

ISSUE 26

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QUEBEC PORT TERMINALS

2009 Summary

Not surprisingly, the Quebec commercial maritime transport industry has incurred the repercussions of the 2009 global recession. Because of this, the tonnage handled in the Quebec port terminals totalled 104 million tons (Mt), that is to say 14% less than in 2008 even after years of increasing growth. It did not however reach the historical low of 91.8 Mt in 1993, during the previous North American recession.

Almost all commercial ports of Quebec reported a significant drop in their tonnage, notably those with major transhipments of minerals and metals (iron, ilmenite, bauxite, alumina, aluminum and nickel). With the exception of Port-Cartier, the ports of Quebec, Sept-Îles, Port-Alfred, Sorel-Tracy, Havre-Saint-Pierre, Bécancour and Baie-Comeau all reported major drops.

2009p SUMMARY

Estimate and reconciliation of tonnages handled in the major ports of Quebec in 2009p and 2008

List of ports	2009p Jan.-Dec.	2008 Jan.-Dec.	Variation [1] 2009p/2008
1. Montreal	24.5 Mt	27.9 Mt	- 12 %
2. Quebec	22.1 Mt	27.2 Mt	- 19 %
3. Sept-Îles	19.8 Mt	22.6 Mt	- 12 %
4. Port-Cartier	18.3 Mt	16 Mt	+ 15 %
5. Port-Alfred	4.3 Mt	5 Mt	- 13 %
6. Sorel-Tracy	3.9 Mt	6.5 Mt	- 40 %
7. Baie-Comeau [2]	3.4 Mt	5.6 Mt	- 38 %
8 Trois-Rivières	2.6 Mt	2.6 Mt	---
9. Havre-Saint-Pierre	1.9 Mt	3.5 Mt	- 46 %
10. Bécancour	1.7 Mt	2.1 Mt	- 18 %
11. Valleyfield	421 kt	319 kt	+ 32 %
12. Gaspe	383 kt	253 kt	+ 52 %
13. Port-Saguenay	292 kt	334 kt	- 13 %
14. Rimouski	236 kt	249 kt	- 6 %
15. Gros-Cacouna	96 kt	170 kt	- 43 %
16. Pointe-au-Pic	90 kt	94 kt	- 4 %
17. Matane [2]	72 kt	253 kt	- 71 %
18. Chandler	4.3 kt	4.1 kt	- 5 %
Total	**104 Mt**	**120.7 Mt**	**- 14 %**

Sources: Port Authorities and Transport Canada.

Compilation: Policy and Economics Branch, Quebec Region.

M: millions; k: thousands

p: preliminary

The port of Montreal reported a 15% drop of containerized merchandise tonnage following the example of the global slump of containerized cargo over the entire marine

[1] Tonnage variations are calculated from non-rounded numbers of tonnage handled.

[2] These numbers do not include tonnage passing through the Baie-Comeau and Matane ports using the *Georges-Alexandre-Lebel* rail-freight ferry.

transport global connections. On the same subject, the ports of Vancouver and Halifax also reported drops.

As in previous years, the Montreal, Quebec, Sept-Îles and Port-Cartier ports transported 80% of the total tonnage in Quebec. As well, 42% of the total tonnage in Quebec was handled on the North Shore through the Ports of Sept-Îles, Port-Cartier, Baie-Comeau, and Havre-Saint-Pierre.

Montreal

Sharp drop of containerized cargo

In 2009, cargo handled at the Port of Montreal totalled 24.5 Mt, which represents a drop of 12% in comparison to 2008. Much like their major competitors on the East Coast, the Port of Montreal registered a decline in maritime traffic because of the global economic crisis.[3]

Difficulties encountered by the Canadian and American manufacturing sectors also had a major impact on tonnage of containerized cargo, which suffered a decrease of 15.4% compared to last year. In terms of TEU (twenty-foot equivalent units), 1.2 million containers were handled at the port, that is to say 15% less than the previous year.[4]

In other respects, grain traffic (maritime and by ground) totalled 2.4 Mt, which represents an increase of 4.4% compared to 2008. However, dry bulk volume (including grains and cereals) totalled 5.3 Mt, a decline of 16% in comparison to 2008. Liquid bulk tonnage, which is chiefly made up of petroleum products, totalled 7.7 Mt, a decline of 3% compared to 2008.[5]

At the same time as the decline of tonnage, traffic at the Port of Montreal totalled 1,241 commercial vessels in 2009, a decline of 10% compared to 2008.[6]

Quebec

Market diversification has minimized the effects of the global economic crisis.

Tonnage handled at the Port of Quebec totalled 22.1 Mt, which represents a decline of 19% compared to 2008. This major decline of tonnage at the Port of Quebec is a direct consequence of a significant decline in dry bulk traffic, which in turn is connected to the steel industry and the construction industry in the United States, as well as a decrease in liquid bulk (crude oil and refined products). According to the Quebec Port Authority, a decrease in tonnage would have been even more significant had it not been for the diversification of tonnages handled over the last few years, more specifically with respect to tonnage of nickel, alumina, raw sugar, kerosene and biofuel.[7]

The port also registered a decline in traffic with a total of 1,206 vessels in 2009, a decline of 15% compared to 2008. The Quebec Port Authority is predicting that the economic slowdown will continue to affect the performance of some marine terminals during the first half of the year.[8]

As for cruises, the port registered a record year with more than 118,000 cruise passengers, an increase of 4% compared to 2008. The number of cruise companies choosing Quebec as their departure and arrival points has registered a strong growth. The forecast for cruises in 2010 is very promising.[9]

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[3] "La diversification des marchés a limité les effets de la crise économique sur le port de Montréal en 2009," Press release, Montreal Port Authority, January 29, 2010.
[4] Ibid.
[5] Ibid.
[6] Ibid.
[7] "Record d'achalandage au niveau des croisières et bonne performance financière en dépit du ralentissement économique," Press release, Montreal Port Authority, January 5, 2010.
[8] Ibid.
[9] Ibid.

Sept-Îles

The port's destination: expansion

In 2009, the Port of Sept-Îles activities generated transhipments of 19.8 Mt, a decline of 12% compared to 2008. 2009 results are essentially the result of a decrease in iron ore tonnages, which in turn is directly attributable to the weakened global demand for iron ore and iron ore concentrates. As a consequence of this tonnage decrease, maritime traffic has decreased to 493 ships passing through the port in 2009, compared to 578 in 2008, a decline of 15%.[10]

The year 2009 was marked by the announcement of various major investment projects. For example, the start of the construction of the new cruise dock, the optimization of the Pointe-Noire dock and the increase of La Relance terminal capacity, as well as the long term agreement reached with the Consolidated Thompson Iron Mines Ltd. mining company.[11]

Furthermore, port authorities forecast that handled tonnage could total upwards of 65 Mt by 2015 thanks to the realization of mining projects such as Consolidated Thompson, New Millennium and Labrador Iron Mines.[12]

Port-Cartier

Increase of tonnage handled

In 2009, tonnage handled at Port-Cartier totalled 18.3 Mt, which represents a 15% increase compared to 2008. This exceptional performance amid an unfavourable economical perspective is explained by the fact that ArcelorMittal Mines supplied their steel mills in Europe and elsewhere in the world. ArcelorMittal Mines is a company which operates in the mining industry as well as in the processing industry and exploits one of the major iron ore deposits in North America at Mont-Wright.[13]

Port-Alfred

Decline of tonnage handled

With a total of 4.3 Mt in 2009, tonnage handled at Port-Alfred Port registered a significant drop of 10% compared to 2008. Dry bulk tonnage declined by 13% which is chiefly due to the decrease of bauxite, fluorspar and calcined petroleum coke transhipments. As for liquid bulk, it registered a decline of 57% due to the decrease of caustic soda and fuel oil transhipments.[14]

Sorel-Tracy

Sharp drop of ilmenite tonnage handled

In 2009, tonnage handled at the Sorel-Tracy Port totalled 3.9 Mt, a decline of 40% compared to 2008. As mentioned previously, ilmenite transhipments (iron ore and titanium) from Havre-Saint-Pierre dropped by 46% after interrupting their operations for two months at the Rio-Tinto metallurgical complex in Sorel-Tracy. At the same time, maritime traffic has declined. The port welcomed 262 ships, 40% less than in 2009.[15]

Baie-Comeau

Sharp drop of tonnage handled

In 2009, tonnage handled at the port of Baie-Comeau totalled 3.5 Mt, which represents a decline of 38% compared to 2008. The decrease of grain and cereal transhipments and alumina and newspaper transhipments is largely responsible for this decline. The port

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[10] Sept- Îles Port Authority.
[11] "2009 : Une année record et inégalée en termes d'investissements malgré une baisse de 12 % des volumes d'activités," Press release, Sept- Îles Port Authority, January 20, 2010.
[12] Lévesque, Fanny, "Le port entrevoit 2010 avec optimisme," Le Nord-Côtier, January 27, 2010.
[13] Côté, Caroline, "Québec Cartier accueille son premier navire de l'année – Le capitaine du *MV Alam Permai* reçoit la canne à pommeau d'acier," Le Nord-Côtier, January 18, 2009.
[14] Port-Alfred Port Authority.
[15] "Rapport détaillé du tonnage manipulé dans les havres et les ports du Québec," Transport Canada, 2008 and 2009.

welcomed 237 ships in 2009, that is to say approximately 30 more than in 2008.[16]

As well as the aforementioned tonnage, some 428,000 t of cargo went through the port of Baie-Comeau via the *Georges-Alexandre-Lebel*, which represents a decline of 19% compared to the previous year. Much like the previous years, forest product and newspaper cargos have greatly decreased. The rail-freight ferry made 229 return trips, approximately one hundred less than in 2008. The number of crossings steadily decreased between 2004 and 2009, from 469 to 229, a decline of 51%, mainly due to the decrease of forest product cargo.[17]

Last June, management of Baie-Comeau Alcoa aluminum smelter announced two investment projects involving the modernization of their plant as well as the expansion and repair work of their port facilities. Alcoa will begin the construction of a fourth dock and the repair of the other three docks which are approximately 50 years old. The construction of the fourth dock is required in order to accommodate Supramax-class ships (ships measuring up to 250 metres).[18]

Trois-Rivières

Tonnage comparable to that of 2008

In 2009, tonnage handled at the port of Trois-Rivières totalled 2.6 Mt, a tonnage comparable to that of 2008. Dry bulk cargo totalled 2.2 Mt, an increase of 18% compared to the previous year. This increase is mostly due to the grain and cereal sector, which has been growing since 2008. This growth compensated for the 50% decline of the general cargo business and the 30% decline of liquid bulk, both attributed to business recession.[19]

The year 2009 introduced the *On Course for 2020*, a strategic plan to modernize and develop the Port of Trois-Rivières' infrastructures. The plan's objective is to progressively increase the storage and handling capacities of the port by 2020. It will notably encompass the following elements:

- The development of the port perimeter and implementation of new access roads;
- The addition of interior and exterior cargo storage space;
- The installation of a new cargo loading system;
- The addition of railways to make direct cargo transhipments and special cargo transhipments from the railway cars to the ships and vice-versa.[20]

Havre-Saint-Pierre

Sharp drop in ilmenite tonnage

In 2009, tonnage handled at Havre-Saint-Pierre port totalled 1.9 Mt, a decline of 46% compared to 2008. This decline is entirely attributable to the decrease of ilmenite tonnage (iron ore and titanium) after QIT-Fer et Titane had to temporarily close their Sorel-Tracy metallurgical complex and, consequently, suspend their ore mining at the Havre-Saint-Pierre mine.[21]

Matane

Sharp drop in tonnage handled

Tonnage handled at the port of Matane in 2009 totalled 72,311 t, a decline of 71% compared to the previous year, which is explained for the most part by the decrease of wood pulp transhipments. The port welcomed 23 ships, half of what it did in 2008.[22]

The 546,000 t of cargo which went through the port of Baie-Comeau via the *Georges-*

[16] "Rapport détaillé du tonnage manipulé dans les havres et les ports du Québec," Transport Canada, 2008 and 2009.
[17] "Rapports des tonnages manutentionnés sur le traversier-rail *Georges-Alexandre-Lebel*," SOPOR and COGEMA, 2008 and 2009.
[18] Paradis, Steeve, "Aluminerie de Baie-Comeau - Alcoa détaille ses projets d'investissement," Le Soleil, June 19, 2009.
[19] "Le port de Trois-Rivières maintient son trafic à 2,6 Mt en 2009," Press release, Port of Trois-Rivières, January 7, 2 010.
[20] Ibid.
[21] Corporation de développement et de gestion du port de Havre-Saint-Pierre.
[22] "Rapport détaillé du tonnage manipulé dans les havres et les ports du Québec," Transport Canada, 2008 and 2009.

Alexandre-Lebel must be added to this tonnage, which represents a decline of 2% compared to 2008. The transportation of wood and paper products, which has seen a downtrend over the past few years, also incurred a sharp drop in 2009. The rail-freight ferry completed 273 return trips (231 between Baie-Comeau and Matane and 42 between Matane and Sept-Îles), a decline of 20% compared to 2008. The rail-freight ferry service between Sept-Îles and Matane transported more than 54,000, which represents a growth of more than 80% compared to the previous year.[23]

MARITIME SECURITY

Increased security and protection of arctic waters

Within the framework of the Canada Northern Strategy, the government of Canada proposes to regulate the Arctic traffic zone (NORDREG zone). More specifically, the creation of this zone will require that ships send information to Canadian authorities when they pass through Northern Canadian waters. These new measures will ensure an efficient navigation system, heighten vessel, crew and passenger safety, and protect the Arctic environment. By tracing and identifying vessels, the Canadian Coast Guard will be in a better position to supply maritime traffic services which will contribute to preventing pollution and better coordinating responses in situations of environmental pollution, as well as better coordinating search and rescue operations.[24]

SEAWAY

Sharp drop in tonnage passing through the seaway system

The volume of cargo transported on the seaway system in 2009 totalled 30.7 Mt, the lowest level ever registered since the beginning of the 1960's and a decline of 25% compared to 2008. The seaway welcomed 3,631 ships, a drop of 14% compared to the previous season. This major decline can be attributed to a sharp decrease of iron ore and steel transport on navigable waters, which is a direct consequence of the decline in the demand for iron ore by the steel industry in the Great Lakes area.[25]

Despite the economic slowdown, the seaway system and partners of Highway H_2O have relentlessly continued their efforts to try to attract new cargo shipments. Thanks to these new incentive measures, approximately 1.6 Mt of cargo passed through the seaway system in 2009.[26]

GLOBAL MARITIME TRANSPORTATION

Global economic growth in 2010

Financial institutions and international economic organizations are unanimous: the global economic recession is definitely over. The Organization for Economic Co-operation and Development (OECD), International Monetary Fund (IMF), National Bank, and Mouvement Desjardins, to name but a few, all foresee a growth in major world economies over the next two years.

[23] "Rapports des tonnages manutentionnés sur le traversier-rail *Georges-Alexandre-Lebel*," SOPOR and COGEMA, 2008 and 2009; Lévesque, Fanny, " Le port entrevoit 2010 avec optimisme," Le Nord-Côtier, January 27, 2010.
[24] "Le gouvernement du Canada prend des mesures pour rehausser la sécurité et protéger les eaux arctiques," Press release, Transport Canada, February 26, 2010.

[25] "Résultats mensuels du trafic de la Voie maritime en date du 31 décembre 2009," Great Lakes Network/Saint-Lawrence seaway system, January 2010.
[26] Ibid.

2010 and 2011 Economic forecasts for the world's leading economic powers

GDP growth in %

	IMF		OECD		National Bank		M. Desj.	
	2010	2011	2010	2011	2010	2011	2010	2011
Canada	2.6	3.6	2.0	3.0	2.9	2.2	2.6	3.0
U.S.	2.7	2.4	2.5	2.8	3.4	2.2	2.6	2.4
Japan	1.7	2.2	1.8	2.0	1.7	1.5	1.5	1.5
Euro Zone	1.0	1.6	0.9	1.7	1.9	1.6	1.3	1.6
Russia	3.6	3.4	4.9	4.2	3.5	3.3	4.1	4.5
India	7.7	7.8	7.3	7.6	7.5	7.2	7.0	7.8
China	10	9.7	10.2	9.3	9.8	8.2	10	9.1

Sources: IMF, OECD, National Bank, and Mouvement Desjardins.

The United States, our major commercial partner, should experience a GDP growth of approximately 2% in 2010 and 2011. Overall, the euro zone will also experience some growth, but possibly weaker than that anticipated in the U.S. Finally, in Asia, China remains in the driver's seat with a forecasted growth of more than 10% in 2010 and 9% in 2011.[27]

That said, international trade is experiencing a very timid recovery. As long as trade remains weak, economic recovery will still be dependent on efforts from governments and central banks.[28] Furthermore, given that approximately 80% of world trade for raw material and goods (manufacturing and consumer) passes through maritime transport, an increase of international maritime traffic will not happen without an increase of commercial trades.

MARITIME TRANSPORTATION IN CANADA

Decrease of containerized cargo at the port of Vancouver

The port of Metro Vancouver, which is the most important Canadian containerized cargo port and gateway to the Pacific, registered shipments totalling 102 Mt in 2009, an 11% decline compared to 2008.[29]

This decrease of tonnage is directly attributable to the decline of marine trade with Asia. Normally, raw materials from Canada are shipped to China for processing and are returned under various consumer goods. However, within a context where North Americans have reduced their overall consumption, both imports and exports have decreased at the port of Vancouver.

ENVIRONMENT

Increase of aluminum shipments by barge

Within the framework of their Aid Program, aimed at reducing greenhouse gas emissions, the government of Quebec has awarded a $3 M grant to the Alouette aluminum smelter over five years. This financial aid will help curb the consumption of fuel for transporting aluminum using heavy duty vehicles and will increase the maritime transport of aluminum by barge

[27] Normand, François, "Les grandes économies du monde renoueront avec la croissance en 2010," Les Affaires, from November 14 to November 20, 2009.

[28] Ibid.

[29] Port Metro Vancouver, Statistics Overview 2009.

(*Alouette Spirit*), thereby helping to reduce CO^2 emissions in the atmosphere.

The Alouette aluminum smelter presently uses the Alouette Spirit barge an average of three times per month, but would like to increase the annual average to 220,000 tons shipped by barge to the Great Lakes region over the next five years. In more concrete terms, the barge will transport 30,000 tons of aluminum per year, which will equate to an annual decline of approximately 8,400 heavy trucks on Highway 138.[30]

COMMODITIES

Iron Ore

Increase of iron ore production

The Consolidated Thompson iron ore mining project on Lake Bloom near Fermont will start their operations this year. Annual production of iron concentrate is estimated at 8 Mt. In addition, the rail connection between the mine and Labrador, as well as the new port facilities at Sept-Îles (Pointe-Noire terminal), are nearly complete. Also, Quebec shipments of iron ore to China have more than tripled over the last ten years.[31]

Aluminum

Recovery of aluminum demand

According to Alcoa, the most important aluminum producer in America, aluminum distributors are showing an increased interest in buying aluminum. The demand for aluminum should intensify as soon as the global economy strengthens in 2010.[32] Quebec aluminum smelters, which produce 90% of the Canadian aluminum production, should benefit from this demand.

FERRIES

Return of the winter ferry at Magdalen Islands

Last January, Transport Canada announced a $2.1 M investment in the short-term extension of the ferry service between Magdalen Islands and Souris (Prince Edward Island) from February to March 2010 at the rate of two return trips per week. Traditionally, the service was offered over ten months of the year, during the navigation season in open waters, from the beginning of April to the end of January.[33]

Three new ferries at the STQ

Last fall, the Société des traversiers du Québec (STQ) announced the construction of three new ferries for the North Shore services.[34]

The *Camille-Marcoux*, which travels between Matane and the North Shore, will be replaced by a ferry capable of transporting 150 vehicles instead of 120 and 19 semi-trailers instead of 10. The new ferry will be delivered to the STQ in 2014.

The ferries *Armand-Imbeau* and *Jos-Deschênes ferries*, which commute between Baie-Sainte-Catherine and Tadoussac, will also be replaced by new ferries capable of transporting 105 vehicles instead of the present 75. These two ferries will be delivered to the STQ by 2013. As for the two older ferries, which are still in excellent condition, they will be reassigned to the Sorel and Saint-Ignace-de-Loyola service, where there is a substantial increase in heavy vehicle traffic.

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[30] Lévesque, Fanny, "3 M$ pour Aluminerie Alouette - L'utilisation de la barge, Alouette Spirit, récompensée," Le Nord-Côtier, May 6, 2009.
[31] Letarte, Martine, "Le projet du Lac Bloom démarrera cette année," La Presse, February 25, 2010.
Lévesque, Fanny, "Port de Sept-Îles - Les expéditions vers l'Asie ont triplé en 10 ans," Le Nort-Côtier, November 2009.
[32] "Alcoa prévoit une reprise de la demande d'aluminium," La Presse, March 11, 2010.

[33] "Le gouvernement du Canada annonce le prolongement du service de traversier des Îles-de-la-Madeleine," Press release, Transport Canada, January 21, 2010.
[34] Paradis, Steeve, "400 millions $ pour trois nouveaux traversiers," Le Soleil, September 9.

Begin supplying services for the Lower North Shore sooner?

Mayors of the Lower North Shore are asking the Quebec government to begin resupplying the area earlier than the regular April 6 schedule. In their favour, they point out that the docks are already ice free at that time of the year. The mild winter has had disastrous consequences on the Lower North Shore, which is cut off from the rest of the province. The snowmobile trail (route blanche), which is normally in use in the winter for the population, could not be used this year for lack of snow.[35]

Construction work for the new marine terminal has begun

The construction of the future marine terminal in Île d'Orléans began in Saint-Laurent-de-l'Île-d'Orléans last May. Evaluated at more than $6 M, this construction work should be finished by 2010. The new terminal had to be built in order to meet new security regulations pursuant to the 9/11 events. The marine terminal will be used as an emergency evacuation measure for Île d'Orléans.[36]

EXCURSION CRUISES

Whale protection plan in the marine park

The Saguenay-Saint-Laurent marine park would like to see the impact of maritime traffic lessened in order to increase the protection of large sea mammals, notably at the mouth of the Saguenay Fjord. Park authorities are working on a coastal sea management plan for activities aimed at finding a sustainable method of using the marine park. The objective is to ensure the protection of ecosystems and marine mammals as well as the sustainability of coastal sea activities.[37] The reduction of commercial ship speeds, the number of excursion boats authorized, and the viewing distance for cetaceans are all elements being considered in this plan.

INTERNATIONAL CRUISES

A record season in 2009

Despite the global economic recession, the Saint-Lawrence welcomed 21 different ships from 17 steam ship lines in 2009. This equates to more than 166,000 passengers and 63,000 crew members who stopped over in Quebec, compared to 126,000 passengers and 45,000 crew members in 2008. This increase is partly due to the fact that the Saint-Lawrence River is gaining in popularity.[38]

[35] "Les maires veulent devancer le ravitaillement," Radio-Canada Web Site, February 22, 2010.
[36] "Début de la construction du terminal maritime," Radio Canada Web Site, May 11, 2009.
[37] Desmeules, Sylvain, "Protection des baleines dans le parc marin - Le trafic maritime dans le collimateur," Le Soleil, September 9, 2009.

[38] "Bilan des croisières internationales - 2009 une saison record pour le Saint-Laurent ", Press release, Saint-Lawrence cruises, November 27, 2009.

COMMENTS

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